

Message Text

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ACTION EUR-12

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TAGS: EEC, CY
SUBJECT: EC-CYPRUS RELATIONS--PROSPECTIVE NEGOTIATIONS ON TRADE
AND ECONOMIC RELATIONS

REF: A) EC BRUSSELS 4520, B) EC BRUSSELS 1001

1. WE UNDERSTAND FROM EC COMMISSION AND CYPRIOT MISSION
OFFICIALS THAT THE MAIN ELEMENTS OF THE NEGOTIATING MANDATE
APPROVED BY EC COUNCIL ON MAY 3 (REF A) AUTHORIZING THE
COMMISSION TO PROCEED TO NEGOTIATE TRADE AND ECONOMIC
ARRANGEMENTS WITH CYPRUS FOR THE PERIOD BEYOND JULY 1,
WHEN PRESENT TRADE ARRANGEMENTS ARE SCHEDULED TO TERMINATE,
ARE AS FOLLOWS: (A) INDUSTRIAL TRADE. RATHER THAN
ENTER SECOND PHASE OF MOVEMENT TOWARD CUSTOMS UNION AS
ENVISAGED IN THE EC-CYPRUS ASSOCIATION AGREEMENT OF 1972,
PRESENT ARRANGEMENTS WILL BE EXTENDED THROUGH 1979, BUT
WITH SOME ADDITIONAL REDUCTION OF EC TARIFFS FOR CYPRIOT
PRODUCTS. THERE IS ALSO THE POSSIBILITY OF SOME RE-
LAXATION OF EC RULES OF ORIGIN FOR CYPRIOT PRODUCTS
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TO HARMONIZE WITH RULES OF ORIGIN IN AGREEMENTS EC HAS
RECENTLY NEGOTIATED WITH OTHER MEDITERRANEAN
COUNTRIES. (B) AGRICULTURAL TRADE. FOR THE MOST PART,
PRESENT ARRANGEMENTS, DUE TO EXPIRE JULY 1, WILL BE
EXTENDED THROUGH THE END OF 1977. SPECIFICALLY, FOR
THE REMAINDER OF THIS YEAR, CYPRUS WILL HAVE CONTINUED
ACCESS TO THE UK AND IRISH MARKETS FOR FRESH AND CANNED

VEGETABLES AND CANNED FRUITS ON THE SAME PREFERENTIAL TERMS AS AT PRESENT. THE SAME IS TRUE OF CYPRUS SHERRY IN THE UK MARKET. HOWEVER, CYPRUS LOSES ITS PREFERENCE IN THE UK FOR POTATOES AND WINES OTHER THAN SHERRY AS OF JULY 1. THE COMMUNITY IS PREPARED TO COMMIT ITSELF TO FURTHER NEGOTIATIONS BEFORE THE END OF 1977 WITH A VIEW TO GRANTING CYPRUS ADDITIONAL COMMUNITY-WIDE AGRICULTURAL CONCESSIONS. (C) FINANCIAL PROTOCOL. THE COMMUNITY IS PREPARED TO NEGOTIATE A FINANCIAL PROTOCOL PROVIDING ASSISTANCE TO CYPRUS IN THE AMOUNT OF 30 MILLION UNITS OF ACCOUNT (ONE U.A. EQUALS 1.1 DOLLARS).

2. ALL OF THE ABOVE IS STILL TO BE NEGOTIATED, OF COURSE. COMMISSION AND LOCAL CYPRIOT OFFICIALS EXPECT THE NEGOTIATIONS TO BEGIN ABOUT THE MIDDLE OF MAY.

3. COMMENT. THE COMMUNITY'S PROPOSAL ON AGRICULTURE IN EFFECT BUYS TIME. THE ITALIANS STILL RESIST GRANTING NEW COMMUNITY-WIDE AGRICULTURAL CONCESSION TO CYPRUS, SPAIN (EC BRUSSELS 2673), OR ANY OTHER COUNTRY UNTIL THE EC COUNCIL HAS ADEQUATELY ADDRESSED ITALY'S CONCERNS ABOUT WHAT IT CONSIDERS THE DISADVANTAGES TO ITALIAN AGRICULTURE OF THE COMMUNITY'S GLOBAL MEDITERRANEAN POLICY. ITALY HAS, OF COURSE, SUFFICIENTLY SOFTENED ITS STAND ON CYPRUS TO PERMIT CYPRUS TO CONTINUE TO ENJOY ITS ACCESS TO THE UK AND IRISH MARKETS FOR AN INTERIM PERIOD BEYOND JULY 1 ON THE CURRENT PREFERENTIAL BASIS. THE CRUNCH WILL COME IN THE LIMITED OFFICIAL USE

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AUTUMN WHEN THE COMMUNITY TRIES TO NEGOTIATE FURTHER COMMUNITY-WIDE REDUCTIONS OF AGRICULTURAL TARIFFS FOR CYPRUS IN THE OVERALL CONTEXT OF SIMILAR NEGOTIATIONS WITH SUCH OTHER MEDITERRANEAN COUNTRIES AS SPAIN AND GREECE (I.E., IN THE EC-GREECE ACCESSION NEGOTIATIONS).
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